

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Comins Township	County Oscoda
Fiscal Year End March 31, 2006	Opinion Date June 21, 2006	Date Audit Report Submitted to State August 15, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☐ ☒ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>	Not applicable		
Certified Public Accountant (Firm Name) Robertson & Carpenter CPAs, P.C.		Telephone Number 989-826-5442		
Street Address P.O. Box 308		City Mio	State MI	Zip 48647
Authorizing CPA Signature		Printed Name Robert J. Carpenter		License Number 1101008247

**Comins Township
Oscoda County, Michigan
Financial Report
With Supplemental Information
March 31, 2006**

Comins Township

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INDEPENDENT AUDITOR'S REPORT

Township Board
Comins Township
Oscoda County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Comins Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Comins Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Comins Township as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2006 on our consideration of Comins Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on page 3 through page 8 and pages 23-24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Comins Township's basic financial statements. The items identified as other supplementary information; detail of General Fund revenues and expenditures, Road Fund statement of revenues, expenditures and changes in fund balance, individual non major fund financial statements and statement of changes in assets and liabilities for the Agency Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information items have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
June 21, 2006

Management's Discussion and Analysis

As management of Comins Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$1,017,833 (*net assets*). Of this amount, \$510,213 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations
- The Township's total net assets increased by \$53,988.
- As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$381,207, an increase of \$10,536 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$381,207 or 140% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, culture and recreation, and other. The Township does not have any business-type activities as of and for the year ended March 31, 2006.

The Government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains three governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, and Road & Public Improvement Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-22 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$1,017,833 at the close of the most recent fiscal year.

A portion of the Township's net assets (50%) reflects its investment in capital assets (e.g., land, land improvements, buildings, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

	Governmental	Activities
	March 31,	March 31,
	2006	2005
Current and Other Assets	510,213	438,916
Capital Assets, Net	<u>579,389</u>	<u>610,775</u>
Total Assets	<u>1,089,602</u>	<u>1,049,691</u>
Current Liabilities	-0-	-0-
Long Term Liabilities	<u>71,769</u>	<u>85,846</u>
Total Liabilities	<u>71,769</u>	<u>85,846</u>
Net Assets:		
Invested in Capital Assets,		
Net of Related Debt	507,620	524,929
Unrestricted	<u>510,213</u>	<u>438,916</u>
Total Net Assets	<u>1,017,833</u>	<u>963,845</u>

The Township's net assets increased by \$53,988 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$71,297 or 16%, during fiscal year 2006.

Township's Changes in Net Assets

	<u>Governmental</u> <u>March 31,</u> <u>2006</u>	<u>Activities</u> <u>March 31,</u> <u>2005</u>
Revenue:		
Program Revenue:		
Charges for services	44,005	48,683
Operating Grants and Contributions	2,328	59,861
General Revenue:		
Property Taxes	125,320	111,291
State-Shared Revenues	144,926	140,649
Interest and Investment Earnings	16,634	8,047
Other	<u>8,307</u>	<u>8,498</u>
Total Revenue	341,520	377,029
Expenses:		
General Government	162,250	153,040
Public Safety	53,206	51,188
Public Works	38,013	34,515
Community/Economic Development	5,747	-0-
Recreation and Culture	24,776	30,021
Other	-0-	8,655
Interest on long term debt	<u>3,540</u>	<u>4,417</u>
Total Expenses	<u>287,532</u>	<u>281,836</u>
Increase in Net Assets	53,988	95,193
Net Assets, Beginning of Year	<u>963,845</u>	<u>868,652</u>
Net Assets, End of Year	<u>1,017,833</u>	<u>963,845</u>

Governmental activities. The Township's total governmental revenues (decreased) by (\$37,464) from last fiscal year. This was primarily attributed to a decrease in federal grants that was offset in part by an increase in property taxes. Expenses (decreased) by \$153,585. The decrease was primarily due to decreased capital outlay expense and road improvements.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$508,274, an increase of \$69,344 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 100% of this total amount or \$508,274.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 140% and total fund balance represents 140% of total general fund expenditures.

The fund balance of the General Fund increased by \$10,536 during the current fiscal year.

The Road Fund levied .9395 mills of property tax. The property tax generated \$47,120 of revenue for the year ended March 31, 2006. The fund balance of the Road fund increased by \$55,543 during the current fiscal year.

Governmental Funds Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General, Road and Public Improvement Funds. The General and the Road funds budgets were amended during the year.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2006, amounted to \$579,389 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, equipment, park improvements, transfer site improvements, vehicles, and infrastructure. Additions totaled \$8,049 for the fiscal year.

Township's Capital Assets (net of depreciation)

	March 31 2006	March 31 2005
Land	36,255	36,255
Land Improvements	11,491	9,870
Buildings	104,951	107,699
Equipment	66,592	74,871
Park Improvements	91,507	95,967
Transfer Site Improvements	966	1,035
Vehicles	172,251	184,593
Infrastructure	<u>95,376</u>	<u>100,485</u>
Total	<u>579,389</u>	<u>610,775</u>

Additional information on the Township's capital assets can be found in note 5 on page 20 of this report.

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2006-2007 fiscal year:

- The State of Michigan has made significant reductions in their operating budgets due to a downturn in the economy. The Township received a slight increase in State Shared Revenues this year compared to the prior fiscal year. The Township anticipates an increase in property taxes and an increase in capital outlay expenditures. Our budgets were prepared with these factors in mind and will need to be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Comins Township
P.O. Box 190
Fairview, Michigan 48621

Basic Financial Statements

Comins Township
Statement of Net Assets
March 31, 2006

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 460,612
Receivables: (Note 4)	
Other	-
Property taxes	2,185
Intergovernmental	34,548
Due from Fiduciary Fund	12,868
Capital assets-net (Note 5)	<u>579,389</u>
 Total assets	 <u>1,089,602</u>
 Liabilities	
Current Liabilities:	
Accounts payable	-
Noncurrent liabilities (Note 9):	
Due within one year	15,385
Due in more than one year	<u>56,384</u>
 Total liabilities	 <u>71,769</u>
 Net Assets	
Invested in capital assets, net of related debt	507,620
Unrestricted	<u>510,213</u>
 Total net assets	 \$ <u><u>1,017,833</u></u>

See accompanying notes to financial statements.

Comins Township
Statement of Activities
Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
General government	\$ 162,250	\$ 7,324	\$ -	\$ (154,926)
Public safety	53,206	13,342	-	(39,864)
Public works	38,013	20,079	2,328	(15,606)
Community/econ. dev.	5,747	3,260	-	(2,487)
Recreation and culture	24,776	-	-	(24,776)
Other	-	-	-	-
Interest on long term debt	3,540	-	-	(3,540)
Total governmental activities	<u>\$ 287,532</u>	<u>\$ 44,005</u>	<u>\$ 2,328</u>	<u>(241,199)</u>
General Revenues:				
Property taxes - operating				73,179
Property taxes - road				52,141
State-shared revenues				144,926
Interest and investment earnings				16,634
Other				8,307
Total general revenues				<u>295,187</u>
Change in Net Assets				<u>53,988</u>
Net assets - beginning of year				<u>963,845</u>
Net assets - end of year				<u><u>\$ 1,017,833</u></u>

Amounts reported for governmental activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 69,344
Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	\$ (39,435)
Capital outlay	<u>8,049</u>
	(31,386)
Revenues reported in the statement of activities that do not provide current financial resources and are not reported as revenue in the governmental funds - increase (decrease) from prior year	1,955
Repayments of installment loan payable principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long term debt)	<u>14,075</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 53,988</u></u>

See accompanying notes to financial statements.

Comins Township
Governmental Funds
Balance Sheet
March 31, 2006

	General Fund	Road Fund	Nonmajor Public Improvement Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 337,503	\$ 113,540	\$ 9,569	\$ 460,612
Accounts receivable	-	-	-	-
Property taxes receivable	1,102	1,083	-	2,185
Due from other funds	14,171	2,484	-	16,655
Due from other governmental units	29,365	5,183	-	34,548
Total assets	<u>\$ 382,141</u>	<u>\$ 122,290</u>	<u>\$ 9,569</u>	<u>\$ 514,000</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	3,787	-	3,787
Due to other governments	-	-	-	-
Deferred revenue	934	1,005	-	1,939
Total liabilities	<u>934</u>	<u>4,792</u>	<u>-</u>	<u>5,726</u>
Fund balances				
Unreserved:				
Undesignated:				
General Fund	381,207	-	-	381,207
Road Fund	-	117,498	-	117,498
Public Improvement Fund	-	-	9,569	9,569
Total fund balances	<u>381,207</u>	<u>117,498</u>	<u>9,569</u>	<u>508,274</u>
Total liabilities and fund balances	<u>\$ 382,141</u>	<u>\$ 122,290</u>	<u>\$ 9,569</u>	<u>\$ 514,000</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Fund Balances - Total Governmental Funds	\$ 508,274
Elimination of due to and due from governmental funds	
Due to	3,787
Due from	(3,787)
Capital assets used in governmental activities are not financial financial resources, and are not reported in the governmental funds.	
The cost of capital assets is	930,650
Accumulated depreciation is	(351,261)
Long term liabilities are not due and payable in the current period and are not reported in the governmental funds	
Installment loans	(71,769)
Other long term assets are not available to pay current period expenditures therefore deferred in fund governmental funds	1,939
Net Assets of Governmental Activities	<u>\$ 1,017,833</u>

See accompanying notes to financial statements.

Comins Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended March 31, 2006

	General Fund	Road Fund	Nonmajor Public Improvement Fund	Total Governmental Funds
Revenues				
Taxes and fees	\$ 72,229	\$ 51,136	\$ -	\$ 123,365
Licenses and permits	4,579	-	-	4,579
Federal grants	-	2,328	-	2,328
State grants	144,926	-	-	144,926
Intergovernmental	13,342	-	-	13,342
Charges for services	26,084	-	-	26,084
Interest and rentals	14,290	2,079	265	16,634
Other revenue	8,307	-	-	8,307
Total revenues	<u>283,757</u>	<u>55,543</u>	<u>265</u>	<u>339,565</u>
Expenditures				
Current:				
General government	157,178	-	-	157,178
Public safety	32,848	-	-	32,848
Public works	32,904	-	-	32,904
Community/economic development	5,747	-	-	5,747
Recreation and culture	15,880	-	-	15,880
Other	-	-	-	-
Capital outlay	8,049	-	-	8,049
Debt service	17,615	-	-	17,615
Total expenditures	<u>270,221</u>	<u>-</u>	<u>-</u>	<u>270,221</u>
Excess of Revenues Over (Under) Expenditures	13,536	55,543	265	69,344
Other Financing Sources (Uses)				
Operating transfers in	-	-	3,000	3,000
Operating transfers (out)	(3,000)	-	-	(3,000)
Total other financing sources (uses)	<u>(3,000)</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	10,536	55,543	3,265	69,344
Fund balance - April 1, 2005	<u>370,671</u>	<u>61,955</u>	<u>6,304</u>	<u>438,930</u>
Fund balance - March 31, 2006	<u>\$ 381,207</u>	<u>\$ 117,498</u>	<u>\$ 9,569</u>	<u>\$ 508,274</u>

See accompanying notes to financial statements.

Comins Township
Fiduciary Funds
Statement of Net Assets
March 31, 2006

	Agency Fund Type (Property Tax Collection Fund)
Assets	
Cash	\$ 89,239
Due from other funds	<u>-</u>
Total assets	<u>\$ 89,239</u>
Liabilities	
Due to other funds	\$ 12,868
Due to other governments	<u>76,371</u>
Total liabilities	<u>89,239</u>
Net Assets	<u>\$ -</u>

See accompanying notes to financial statements.

Comins Township
Notes to Financial Statements
March 31, 2006

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Comins Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

Reporting Entity

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

Government-wide and Fund Financial Statements

The Government-side financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 - Summary of Significant Accounting Policies (Continued)

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Road Fund is used to record property tax revenue, Federal and State grants restricted for providing improvements to and maintenance to the roads.

Additionally, the Township reports the following funds:

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

The Public Improvement Fund accounts for funds set aside by the Board for future purchases of capital assets.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Comins Township
Notes to Financial Statements
March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2005 taxable value of the Township was \$54,399,148. The 2005 tax levy was .8397 mills for general operations raising \$47,120 for general operating purposes and .9395 mills for roads raising \$51,108 for road purposes.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Land Improvements	20 years
Buildings and additions	20-50 years
Equipment	5-20 years

Compensated Absences - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. The Township did not have a reserved fund balance at March 31, 2006. Designations of fund balance represent tentative management plans that are subject to change. The Township did not have a designated fund balance at March 31, 2006.

Comins Township
Notes to Financial Statements
March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state laws for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budgets by April 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Note 2 - Stewardship, Compliance and Accountability

Excess of expenditures over appropriations in budgeted funds:

The Township incurred expenditures in excess of amounts budgeted as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
General Government:			
Supervisor	\$ 26,979	\$ 27,151	\$ 172

Comins Township
Notes to Financial Statements
March 31, 2006

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with State statutory authority as listed above.

Comins Township's deposits and investment policy are in accordance with statutory authority.

Comins Township has not adopted an investment policy that conforms with Governmental Accounting Standards Board (GASB) statement #40.

At year-end, Comins Township's deposits and investments were reported in the basic financial statements (in addition to a General Fund petty cash fund of \$50) in the following categories:

	Governmental Activities	Fiduciary Funds	Township Total
Cash and cash equivalents	\$ 460,562	\$ 89,239	\$ 549,801
Investments	-	-	-
Total	<u>\$ 460,562</u>	<u>\$ 89,239</u>	<u>\$ 549,801</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking and savings)	\$ 549,801
Investments	-
	<u>\$ 549,801</u>

The deposits of the Township were reflected in the accounts of one financial institution, of which \$871 is covered by federal depository insurance.

Comins Township
Notes to Financial Statements
March 31, 2006

Note 4 - Receivables

Receivables as of year-end for the Township's major funds, non-major funds and fiduciary funds in the aggregate, including applicable allowances of uncollectible accounts, are as follows:

Receivables:	General Fund	Road Fund	Public Improvement Fund	Tax Coll. Fund	Total
Other	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	1,102	1,083	-	-	2,185
Intergovernmental	29,365	5,183	-	-	34,548
	<u>\$ 30,467</u>	<u>\$ 6,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,733</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Township had deferred revenue for property taxes in the General Fund in the amount of \$934 and in the Road Fund of \$1,005.

Comins Township
Notes to Financial Statements
March 31, 2006

Note 5 - Capital Assets

Capital assets activity of the Township's Governmental activities were as follows:

	Balance April 1, 2005	Additions	Deletions	Balance March 31, 2006
Capital assets not being depreciated:				
Land	\$ 36,255	\$ -	\$ -	\$ 36,255
Capital assets being depreciated:				
Land improvements	25,760	2,311	-	28,071
Buildings	115,587	1,302	-	116,889
Equipment	21,018	-	-	21,018
Park improvements	245,639	4,436	-	250,075
Transfer site improvements	1,380	-	-	1,380
Buildings - fire department	37,392	-	-	37,392
Equipment - fire department	88,557	-	-	88,557
Vehicles - fire department	248,825	-	-	248,825
Infrastructure - roads	102,188	-	-	102,188
Subtotal	<u>886,346</u>	<u>8,049</u>	<u>-</u>	<u>894,395</u>
Accumulated Depreciation				
Land improvements	15,890	690	-	16,580
Buildings	29,840	3,193	-	33,033
Equipment	14,343	1,120	-	15,463
Park improvements	149,672	8,896	-	158,568
Transfer site improvements	345	69	-	414
Buildings - fire department	15,440	857	-	16,297
Equipment - fire department	20,361	7,159	-	27,520
Vehicles - fire department	64,232	12,342	-	76,574
Infrastructure - roads	1,703	5,109	-	6,812
Subtotal	<u>311,826</u>	<u>39,435</u>	<u>-</u>	<u>351,261</u>
Net capital assets being depreciated	<u>574,520</u>	<u>(31,386)</u>	<u>-</u>	<u>543,134</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 610,775</u>	<u>\$ (31,386)</u>	<u>\$ -</u>	<u>\$ 579,389</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 5,072
Public safety	20,358
Public works	5,109
Culture and recreation	8,896
Total governmental activities	<u>\$ 39,435</u>

Comins Township
Notes to Financial Statements
March 31, 2006

Note 6 - Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>		<u>Amount</u>
General Fund	\$ 14,171	Fiduciary Fund	\$	12,868
Road Fund	2,484	Road Fund		3,787
Total	\$ <u>16,655</u>	Total	\$	<u>16,655</u>
<u>Transfers In</u>		<u>Transfers Out</u>		
Road Fund	\$ -	General Fund	\$	3,000
Public Improvement Fund	3,000			
	\$ <u>3,000</u>			

Note 7 - Risk Management

Comins Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 8 - Pension Plan

The Township has a defined contribution retirement plan that covers all employees who earn in excess of \$450 per year. The plan is a Simplified Employee Pension (SEP) plan that is administered by First Bank. The Township may contribute up to 25% of the employee's earnings. The plan does not allow employees to make contributions. The Township's contributions are vested upon payment to the plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

The Township's total payroll for the year ended March 31, 2006 was approximately \$113,266. The Township's contribution of 20% to the plan was computed on 2004 calendar year eligible wages of \$88,694. The Township deposited the required amount of \$17,739.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township. The plan held no securities of the Township or other related parties during the year or at the close of the fiscal year.

Comins Township
Notes to Financial Statements
March 31, 2006

Note 9 - Long Term Debt

The general obligation long term debt consists of the following items:

<u>DESCRIPTION</u>	<u>PURPOSE</u>		<u>INTEREST RATE</u>	<u>BALANCE DUE 3/31/06</u>
Installment loan payable to USDA - Rural Development	Purchase of new fire truck	Original amount - \$108,000 Principal and interest due June 10th, interest due December 10th. Principal payments range from \$6,000 to \$10,000. Annual payments range from \$8,190 to \$9,596.	4.75%	\$ 54,000
Installment loan payable to First Bank	Purchase of used fire truck and new tank	Original amount - \$40,500 Monthly payments of \$742 commencing June 6, 2003 and concluding May 5, 2008	3.75%	17,771
				<u>\$ 71,771</u>

Changes in long term debt during the year ended March 31, 2006 are as follows:

Installment loans payable - April 1, 2005	\$ 85,846
New borrowing	-
Principal paid	(14,075)
Installment loans payable - March 31, 2006	<u>\$ 71,771</u>

Total payments due in future years are shown below:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
March 31, 2007	\$ 15,385	\$ 2,921	\$ 18,306
March 31, 2008	15,705	2,269	17,974
March 31, 2009	7,679	1,736	9,415
March 31, 2010	8,000	1,378	9,378
March 31, 2011	8,000	997	8,997
March 31, 2012-2013	17,000	784	17,784
Totals	<u>\$ 71,769</u>	<u>\$ 10,085</u>	<u>\$ 81,854</u>

Required Supplemental Information

Comins Township
Budgetary Comparison Schedule - General Fund
Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with
	3/31/06	3/31/06	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
Fund Balance - Beginning of year	\$ 371,013	\$ 371,013	\$ 370,671	\$ (342)
Resources (Inflows)				
Taxes and fees	65,849	65,849	72,229	6,380
Licenses and permits	3,600	3,600	4,579	979
State grants	140,000	140,000	144,926	4,926
Intergovernmental	17,000	17,000	13,342	(3,658)
Charges for services	33,630	33,630	26,084	(7,546)
Interest and rentals	6,500	6,500	14,290	7,790
Other	4,500	4,500	8,307	3,807
Amounts available for appropriation	<u>642,092</u>	<u>642,092</u>	<u>654,428</u>	<u>12,336</u>
Charges to Appropriations (Outflows)				
General government	136,518	172,244	157,178	(15,066)
Public safety	26,780	34,696	32,848	(1,848)
Public works	37,075	37,353	32,904	(4,449)
Community/economic development	5,400	6,387	5,747	(640)
Recreation and culture	37,550	39,045	15,880	(23,165)
Other	18,700	10,000	-	(10,000)
Capital outlay	20,500	20,500	8,049	(12,451)
Debt service	17,908	17,908	17,615	(293)
Total charges to appropriations	<u>300,431</u>	<u>338,133</u>	<u>270,221</u>	<u>(67,912)</u>
Other Financing Sources (Uses)				
Operating transfers in (out)	<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
Fund Balance - end of year	<u>\$ 338,661</u>	<u>\$ 300,959</u>	<u>\$ 381,207</u>	<u>\$ 80,248</u>

Comins Township
Budgetary Comparison Schedule - Road Fund
Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with
	3/31/06	3/31/06	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
Fund Balance - Beginning of year	\$ 90,500	\$ 90,500	\$ 61,955	\$ (28,545)
Resources (Inflows)				
Taxes and fees	46,000	46,000	51,136	5,136
Federal grants	1,849	1,849	2,328	479
State grants	-	-	-	-
Interest and rentals	1,000	1,000	2,079	1,079
Other	-	-	-	-
Amounts available for appropriation	<u>139,349</u>	<u>139,349</u>	<u>117,498</u>	<u>(21,851)</u>
Charges to Appropriations (Outflows)				
Public works	68,000	68,000	-	(68,000)
Capital outlay	-	-	-	-
Total charges to appropriations	<u>68,000</u>	<u>68,000</u>	<u>-</u>	<u>(68,000)</u>
Other Financing Sources (Uses)				
Operating transfers	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Fund Balance - end of year	<u>\$ 74,349</u>	<u>\$ 74,349</u>	<u>\$ 117,498</u>	<u>\$ 43,149</u>

Supplemental Information

Comins Township
General Fund
Detail of Revenues - Budget and Actual
Year Ended March 31, 2006

	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
TAXES:			
Property taxes	\$ -	\$ 47,304	\$ -
Property tax administration fee	-	24,925	-
Property tax penalties	-	-	-
Total Taxes	<u>65,849</u>	<u>72,229</u>	<u>6,380</u>
LICENSES AND PERMITS:			
Franchise fees	-	1,319	-
Zoning permits	-	3,260	-
Total Licenses and Permits	<u>3,600</u>	<u>4,579</u>	<u>979</u>
STATE GRANTS:			
Payments in lieu	-	1,849	-
Metro Act	-	3,678	-
State shared revenues	-	139,399	-
Total State Grants	<u>140,000</u>	<u>144,926</u>	<u>4,926</u>
INTERGOVERNMENTAL			
Fire protection - Clinton Township	-	13,342	-
Total Intergovernmental	<u>17,000</u>	<u>13,342</u>	<u>-</u>
CHARGES FOR SERVICES:			
Land split fees	-	405	-
Transfer site fees	-	19,950	-
Cemetery burials	-	4,400	-
Street Lights	-	129	-
Cemetery lots	-	700	-
Cemetery foundations	-	500	-
Total Charges for Services	<u>33,630</u>	<u>26,084</u>	<u>(7,546)</u>
INTEREST AND RENTALS:			
Interest	-	12,925	-
Hall rental	-	1,365	-
Total Interest and Rental	<u>6,500</u>	<u>14,290</u>	<u>7,790</u>
OTHER REVENUE			
Contributions	-	1,700	-
Miscellaneous and refunds	-	6,607	-
Total Other Revenue	<u>4,500</u>	<u>8,307</u>	<u>3,807</u>
TOTAL REVENUES	<u>\$ 271,079</u>	<u>\$ 283,757</u>	<u>\$ 16,336</u>

Comins Township
General Fund
Detail of Expenditures - Budget and Actual
Year Ended March 31, 2006

	<u>BUDGET AS AMENDED</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
CURRENT			
GENERAL GOVERNMENT			
Legislative	\$ 30,540	\$ 28,093	\$ 2,447
Supervisor	26,979	27,151	(172)
Elections	2,930	63	2,867
Clerk	22,092	21,870	222
Pension	16,214	16,214	-
Board of Review	1,166	821	345
Treasurer	21,149	20,938	211
Township Hall	10,862	9,043	1,819
Township Office	7,580	4,454	3,126
Cemetery	19,367	16,786	2,581
Unallocated (payroll taxes & insurance)	13,365	11,745	1,620
Total General Government	<u>172,244</u>	<u>157,178</u>	<u>15,066</u>
PUBLIC SAFETY			
Fire protection	<u>34,696</u>	<u>32,848</u>	<u>1,848</u>
PUBLIC WORKS			
Roads	9,000	6,876	2,124
Sidewalks and signs	397	397	-
Street lighting	6,000	5,267	733
Sanitation - transfer site	21,956	20,364	1,592
Total Public Works	<u>37,353</u>	<u>32,904</u>	<u>4,449</u>
COMMUNITY/ECONOMIC DEVELOPMENT			
Zoning	<u>6,387</u>	<u>5,747</u>	<u>640</u>
RECREATION AND CULTURE			
Parks	<u>39,045</u>	<u>15,880</u>	<u>23,165</u>
OTHER			
Contingency	-	-	-
Total Other	<u>10,000</u>	<u>-</u>	<u>10,000</u>
CAPITAL OUTLAY	<u>20,500</u>	<u>8,049</u>	<u>12,451</u>
DEBT SERVICE			
Principal	-	14,075	-
Interest	-	3,540	-
Total Debt Service	<u>17,908</u>	<u>17,615</u>	<u>293</u>
TOTAL EXPENDITURES	<u>\$ 338,133</u>	<u>\$ 270,221</u>	<u>\$ 67,912</u>

Comins Township
Road Fund
Statement of Revenues and Other Financing Sources, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended March 31, 2006

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property Tax	\$ 46,000	\$ 51,136	\$ 5,136
Federal Grants	1,849	2,328	479
State Grants	-	-	-
Interest	1,000	2,079	1,079
Total Revenues	48,849	55,543	6,694
EXPENDITURES			
Public Works			
Roads	68,000	-	68,000
Total Expenditures	68,000	-	68,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(19,151)	55,543	74,694
OTHER FINANCING SOURCES (USES)			
Transfers In	3,000	-	(3,000)
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	3,000	-	(3,000)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(16,151)	55,543	71,694
FUND BALANCE - April 1	43,913	61,955	18,042
FUND BALANCE - March 31	\$ 27,762	\$ 117,498	\$ 89,736

Comins Township
Public Improvement Fund
Statement of Revenues and Other Financing Sources, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended March 31, 2006

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest	\$ 125	\$ 265	\$ 140
Total Revenues	125	265	140
EXPENDITURES			
Capital outlay	-	-	-
Total Expenditures	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	125	265	140
OTHER FINANCING SOURCES (USES)			
Transfers In	3,000	3,000	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	3,000	3,000	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,125	3,265	140
FUND BALANCE - April 1	12,953	6,304	(6,649)
FUND BALANCE - March 31	\$ 16,078	\$ 9,569	\$ (6,509)

Comins Township
Statement of Changes in Assets and Liabilities
All Agency Funds
March 31, 2006

Current Tax Collection Fund				
	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
Assets				
Cash	\$ <u>6,117</u>	\$ <u>1,725,238</u>	\$ <u>1,642,116</u>	\$ <u>89,239</u>
Liabilities				
Due to other funds	\$ 3,111	\$ 115,383	\$ 105,626	\$ 12,868
Due to county	1,533	740,566	724,208	17,891
Due to schools	1,473	866,119	809,112	58,480
Due to State of MI		2,315	2,315	
Refunds	<u>-</u>	<u>855</u>	<u>855</u>	<u>-</u>
Total liabilities	\$ <u>6,117</u>	\$ <u>1,725,238</u>	\$ <u>1,642,116</u>	\$ <u>89,239</u>

Appendice



ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Township Board
Township of Comins
Fairview, MI 48621

We have audited the financial statements of the Township of Comins, Oscoda County, Michigan, as of and for the year ended March 31, 2006 and have issued our report thereon dated June 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Comins, Oscoda County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Comins Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The following reportable conditions were noted in the course of our audit. The general ledgers for the General, Road, and Public Improvement Funds were not in balance at March 31, 2006.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Comins, Oscoda County, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, others within the organization and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
June 21, 2006



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June 21, 2006

Township Board
Township of Comins
Fairview, MI 48621

In planning and performing our audit of the financial statements of Comins Township, Oscoda County, Michigan, for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Comins Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

We noted that the General Fund, Road Fund, and Public Improvement Fund general ledgers were not in balance at March 31, 2006. The ledgers need to be balanced on a monthly basis as they are an integral part of the control system.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

These conditions were considered in determining the nature, timing, and extent of the audit of the March 31, 2006 financial statements, and this report does not affect our report on those financial statements dated March 31, 2006. We have not considered the internal control since the date of our report.

This report is intended solely for the information and use of the Comins Township Board, management and others within the Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.